

Petition of the Department of Public Service
for an Investigation into modification of the structure
of Vermont's Energy Efficiency Utility

Docket No. ____

PETITION

The Vermont Department of Public Service ("Department" or "DPS"), pursuant to 30 V.S.A. §§ 2(c), 209(a), and 218(b) requests the Public Service Board ("Board") to open an investigation for the purpose of considering a change in the structure of the State's Energy Efficiency Utility (EEU).

Introduction

Energy efficiency services are of great value to Vermont ratepayers. As delivery of services matures and becomes more complex due to higher energy prices, changing markets, and evolving goals, it is essential that such services be provided in the most efficient manner possible. The current contractual structure of Vermont's EEU, while successful, has proven problematic in a number of areas. The apparent lack of competition for service providers, the potential conflicts created by the Board acting as both contract manager and adjudicator, and uncertainties in the areas of long term planning and commitments have raised questions about whether the ratepayers are receiving the best value for their efficiency dollar. It is necessary to address these areas while retaining those features that have enabled Efficiency Vermont's programs to be successful over the past eight years.

While the current delivery mechanism is clearly not "broken", the Department believes, based on the workshop process detailed below, that the delivery of efficiency services may be improved under an alternative structure. The filing of this petition in no

way reflects on the performance of Vermont Energy Investment Corporation, the current contractor delivering efficiency services for the state under the trade name “Efficiency Vermont.” In fact, Efficiency Vermont has been widely recognized as a leader in provision of efficiency services, and has been largely successful in meeting aggressive savings goals.

History

1. The legislature created the framework for Vermont’s Energy Efficiency Utility in 1999 in 30 V.S.A. §209. The Public Service Board then created, through Docket 5980, a contractual structure where the Board would contract for services with an efficiency provider.

2. In the 2007 Legislative session, policymakers considered making modifications to the electric energy efficiency structure in H.520. The bill was vetoed; however the Administration committed itself to pursuing many of the issues considered in the legislation. The Public Service Board initiated an open, deliberative workshop process in order to allow participants (“the workgroup”) to fully discuss the potential benefits and risks of moving toward a different structure for delivering electric energy efficiency services to Vermont ratepayers. Ultimately, the Legislature, in 2008 authorized the Board to modify the current structure.

3. The workshops resulted in a document entitled: *A Draft of a Recommendation for a New Energy Efficiency Utility Structure* (“Draft Recommendation”) which is filed to support this petition and suggested as a starting point for this investigation. After consideration of various models, the workgroup focused on an “Order of Appointment” structure to be implemented by the Board under

the authority provided it in 30 V.S.A. §209(d)(2).

4. It was workgroup's intent to retain in any new structure, all the characteristics of the current structure that have delivered high quality efficiency services to Vermonters. The performance-based nature of the current contractual structure was specifically identified as a feature that should be retained.

5. The *Draft Recommendation* is the result of good faith efforts of participants to attempt to develop a potential framework for a new Energy Efficiency Utility Structure. The Department has identified a list of issues where consensus was not reached in workshop discussions:

- Changing the Structure of the EEU. Some workgroup participants believed that the Order of Appointment model was not in the best interests of the State, and that the current contract model should be retained. Others supported the Order of Appointment approach.
- Length of Appointment; Timeframe for presumption of market bid for services. Participants did not reach consensus concerning the length of the appointment, or the timing for initiating a competitive bid process for provision of efficiency services.
- EEU Advisory Committee. Participants did not reach consensus concerning whether a change was needed in the process through which Committee members would be nominated and appointed.
- Transition into a new structure. The Department has identified this as an issue for continued discussion under an open Docket. If a new structure is created, the transition will need to be carefully planned and implemented.

- Energy Efficiency Charge. Parties did not reach consensus concerning the language describing the relationship between the Energy Efficiency Charge, alternative funding, and the EEU budget.
- Compensation methodology and Qualitative Performance Indicators. Some participants believed that the ‘administrative efficiency’ of the Energy Efficiency Utility should also be measured as a Performance Indicator.
- Management of Customer-Specific and Competitively Sensitive Information. The release of customer specific data where an efficiency investment using public dollars was made by an individual or company was raised in the workshop process but was not sufficiently discussed by all participants.

The Board should conduct a docketed investigation of the appropriateness of making a change to the current structure of Vermont’s delivery of energy efficiency services.

The scope of the investigation should include at least the following:

- A. An examination of whether a change in the current EEU structure is warranted;
- B. An examination of whether changing the structure to an Order of Appointment will promote the general good of the state;
- C. If change to an Order of Appointment structure is warranted, then the Board should conduct technical hearings as to the issues that were unresolved in the workshop process;
- D. Any other actions as in the Board’s judgment are necessary or advisable in connection with the expedited resolution of this petition.

WHEREFORE, the Department respectfully requests that the Board open a docketed investigation consistent with the foregoing, and proceed to conduct such pre hearing conferences, workshops, or hearings as are needed to conduct such investigation.

Respectfully submitted on this 29th day of August, 2008.

VERMONT DEPARTMENT OF PUBLIC SERVICE

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